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RUEABND/DEA WASHDC
RUEAWJA/DEPT OF JUSTICE WASHINGTON DC
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TAGS: [SNAR](#) [EFIN](#) [KCOR](#) [PTER](#) [PGOV](#) [PREL](#) [MZ](#)
SUBJECT: RISING CONCERNS ABOUT NARCOTRAFFICKING AND MONEY
LAUNDERING IN MOZAMBIQUE

REF: A. 08 MAPUTO 1228
[1](#)B. 08 MAPUTO 1098

Classified By: Charge d'Affaires Todd C.Chapman, Reasons 1.4(b+d)

[1](#)1. (S/NF) Summary: Large-scale narcotics shipments pass through Mozambique, taking advantage of a vast and lightly guarded coastline. Money laundering may be increasing. Narcotraffickers in the country have connections to South Asia, and some appear to have links to the ruling Frelimo party and the GRM. Using Department of State INL funds, the Embassy has led a successful border security program with the Portuguese Embassy that has resulted in the seizure of narcotics. The mission has also provided support via DoD and Treasury, and directed counternarcotic assessments by the Africa Command, LegAtt, and DEA. While not a thoroughly-corrupted narco-state, the trends in Mozambique suggest cause for concern unless the GRM takes quick action to address these growing problems. End Summary.

Large Scale Narcotics Shipments

[1](#)2. (S/NF) In a series of investigative reports late last year, Mozambique newsweekly Zambeze claimed Mozambique was considered by some estimates to be the second largest drug transit country in Africa after Guinea-Bissau. XXXXXXXXXXXX Recent incidents suggest that larger amounts of narcotics are indeed passing through the country, taking advantage of a coastline twice the length of California's with minimal control. Long-time commentator on Mozambique Joseph Hanlon publicly declared in May that the value of illicit drugs passing through the country probably surpasses combined legal external trade. In mid-May, police seized \$5 million in heroin at the Ressano Garcia-Lebombo border with South Africa. In mid-June, police destroyed 7,000 liters of precursor chemicals discovered at the port of Maputo from China en route to South Africa; the United Nations Office of Drug Control indicates that this port is heavily used to import chemicals used for meth production. XXXXXXXXXXXX have described to P/E chief how Pakistani-owned trucking companies based in Sofala province over-declare imports at the Beira port as one way to hide the quantities of drugs coming into the country. Early on June 20, police discovered about one ton of hashish at Chongouene beach in Gaza province after receiving calls from local fishermen about suspicious vehicle movements in the area.

Signs of Money Laundering Proliferate

¶3. (S/NF) A source inside the Frelimo party recently told the Embassy that Mozambique, with ten banks and thirty legally-registered exchange houses, has significantly more financial institutions than the market in such an impoverished country should be able to support with legitimate business. He also observed that 1500 construction projects are currently underway in Maputo--most financed with cash and mostly in real estate, and noted that it was unusual that housing prices in Maputo are increasing in spite of the world financial crisis. Separately, Hanlon indicates that the rapid growth in Mozambique's stock market is suspect, as the value of stocks listed on the exchange is predicted to reach \$100 million within two years of opening. Finally, lax regulation of casinos has raised concern by local radio and TV commentators about that sector's role in money laundering.

Criminal Ties to South Asia

¶4. (S/NF) A USAID report issued in 2006 notes that commerce in Maputo depends on the financial acumen of a small number of Muslims of South Asian-descent who contribute generously to the FRELIMO party. A major contributor to former President Chissano and President Guebuza from this community, who resides less than a hundred meters from the Presidential Compound, Mohamed Bashir Suleman (MBS), is the owner of the

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commercial MBS Group. Contacts at all levels have advised Emboffs that MBS is a known large-scale narco-trafficker. They indicate that MBS uses his FRELIMO party connections, as well as his shopping mall, supermarkets, and hotels to import narcotics and launder money without official scrutiny. Other South Asian businessmen with ties to FRELIMO also operate a vast network of loosely-regulated money changing houses, which reportedly maintain financial ties with more radical organizations in Pakistan and elsewhere.

¶5. (S/NF) A business contact recently shared with P/E chief a copy of a letter from Mozambique's Chamber of Business Associations (CTA) to the Prime Minister, expressing concern about one company selling imported vegetable oils at prices clearly below cost, noting that this type of price dumping could result in the withdrawal from the market of other companies and ultimately a monopoly to form. The contact said that the letter was in response to efforts by the MBS Group to consolidate control of this sector--but in reality the message had nothing to do with vegetable oil--rather, it was a veiled warning from the business community to the government that MBS Group's use of vegetable oil to cover the import of illicit drugs was so brazen that it was no longer tolerable.

Narcotrafficking Connections in GRM?

¶6. (S/NF) The Frelimo source also told the Charge that MBS Group regularly uses phantom imports to launder money, and indicated that MBS and another immigrant, Ahmed Gassan (owner of the Home Center Furniture store) collude with the GRM's head of customs (who he called "the King of Corruption") to reduce scrutiny on imports. The source also indicated that Gassan's business interests are personally protected by Minister of Planning and Development Aiuba Cuereneia.

USG Border Security, OTA, DoD Support, Other Assessments

¶7. (C) Using Department of State INL bureau funds, the Embassy has a highly-successful joint project with the

Embassy of Portugal to provide training for GRM border guards. With a very small investment of less than \$200,000, this program has led to the seizure of \$2.5 million in cash and the arrest of two Pakistani smugglers (ref B). While the program was denied funding in FY09, it may receive support again in FY10. Mozambique's Tax Authority (AT) has garnered a reputation for honesty and transparency, and the AT's director has publicly criticized the head of Customs about smuggling concerns. Via the Department of Treasury's Office of Technical Assistance, the USG is providing training and capacity building to the AT, and is reviewing ways to specifically support the AT's Financial Intelligence Unit. DoD provided maritime training, small boats , and coastal monitoring systems to the FADM and more of this type of support is programmed for the future. Finally, at the request of the Embassy, Africa Command, DEA, Treasury and LegAtt representatives visited Maputo in early June to conduct a joint assessment of the drug trafficking problem and the GRM's capabilities. Initial findings validated the pervasiveness of the problem and identified the institutional weakness and level of corruption of Mozambican law enforcement agencies as core problems inhibiting a coherent government response.

18. (SBU) At the most recent mini-Dublin meeting chaired in late-May by the Portuguese Embassy, representatives from the Dutch, British and German embassies specifically pointed out weaknesses in the GRM's enforcement activities, highlighting that concerns are widespread in the international community. These concerns were quickly borne out, as in a presentation at the meeting, a representative of the GRM's Inter-agency Working Group on Narcotrafficking focused entirely on domestic consumption and addressing the health needs of local drug addicts.

Comment: Not Thoroughly-Corrupted, but Cause for Concern

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19. (S/NF) Mozambique most certainly is not yet a thoroughly-corrupted narco-state. However, it is becoming increasingly clear that the magnitude of the drug shipments passing through Mozambique may be on a much larger scale than previously understood, taking advantage of the country's long and unprotected coast and the facility with which port and customs officials can be bribed. Money laundering, related government corruption (possibly even official support), and ties to South Asia mean that the problem has the potential to get much worse. While the mission has made initial steps to bring USG resources to bear, the road ahead will require a comprehensive and coordinated effort by the international community to staunch the flow of drugs, not to mention strengthen the political will of the GRM to take concrete action.
CHAPMAN